

EU Parliament Delays Opening Local Mail Markets (Update2)

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July 11 (Bloomberg) -- The European Parliament delayed the opening of local mail markets to competition until at least 2011, ignoring calls by Deutsche Post AG and TNT NV to abolish barriers by 2009.

The European Union assembly voted to allow Western European countries to keep monopolies on letter delivery until January 2011, and Eastern Europe nations as well as Greece and Luxembourg until January 2013. In line with the stance of national governments, the Parliament said companies need the extra time to prepare and guard against job cuts.

Today's compromise "takes into account the condition of employees, but also makes competition possible," Markus Ferber, a German Christian Democrat who sponsored the measure, said in Strasbourg, France.

The European Commission proposed ending letter monopolies in 2009 after a decade of opening up competition in packages, express and bulk mail. The delay sets back the expansion plans of TNT of the Netherlands and Deutsche Post of Germany, whose sales are growing faster abroad than at home.

Standard letters are two-thirds of the EU's 88 billion-euro (\$121 billion) postal market and have twice the profit margin of packages and express mail, according to the Brussels-based commission, the EU executive agency.

Local Monopolies

Only letters weighing as much as 50 grams (1.8 ounces) remain subject to local monopolies. The U.K., Sweden and Finland have abolished theirs already and Germany and the Netherlands plan to follow suit Jan. 1. That would put 60 percent of EU letter volume under competition.

Companies from those countries -- also including Posten AB of Sweden, Royal Mail Group Plc of the U.K. and Finland's Post Corp. -- have lined up behind the 2009 deadline.

Opponents include La Poste of France, Italy's Poste Italiane and Correos & Telegrafos of Spain. They argue that competitors would serve only the most profitable areas, leaving incumbent suppliers to carry the burden of "universal service obligations."

France led opposition among governments to the 2009 deadline at a June 7 meeting, seeking to strengthen that guarantee of delivery to all homes, and win more time for La Poste to prepare for foreign challengers.

Governments, which still must approve the bill for it to become law, should endorse the Parliament's position when they consider the legislation again in the second half of this year, Ferber said.

'Widespread Consensus'

"Our proposal is an important indicator that there's widespread consensus," he said. "We hope they will follow the Parliament's line."

Under the legislation approved by the Parliament, the final 2013 deadline would apply to the 12 countries -- 10 of which are ex-communist states -- that have joined the EU since 2004. That date would also apply to member states with "a particularly difficult topography, especially those with a huge number of islands" -- covering Greece -- or, to add Luxembourg, "a small population and a limited geographical size."

As many as nine of the 12 new member states would likely open their markets in 2011 and forgo the right to the extra two-year delay, leaving three plus Greece and Luxembourg with monopolies until 2013, Ferber said. The three eastern European members that will probably delay for the full period are Poland, Hungary and Slovakia, he said.

Reciprocity

The Parliament decided to give countries that have abolished their monopolies the right to deny market access to postal companies that retain protection during the transitional period until 2013.

Ferber said this "reciprocity" provision helped secure the support of the assembly, which approved the legislation by 512 to 155 with 13 abstentions. Ferber also said this provision would help persuade Germany to stick to its market-opening date.

"I think Germany will not change its timetable," he said.

Some lawmakers criticized the initiative as an ideological push for competition, no matter the cost to workers, such as the 55,000 employees cut in an overhaul of the U.K.'s Royal Mail Group Plc.

"There are no guarantees of better services or low prices. But what most worries me is the future of the workers," said Joost Lagendijk, a Dutch Green, adding his father worked for the postal service for 40 years. "These were good jobs for the people who had them."

Everyone Benefits

Charlie McCreevy, the internal market and services commissioner who made the proposal in October, said in the Parliament debate: "Market opening is not an end in itself but good for the consumer, good for companies and therefore good for the economy."

A group that represents mail users such as publishers and operators including United Parcel Service Inc. expressed "disappointment" that the Parliament pushed back the commission's target date.

"We are convinced that 2009 is the right time for ending postal monopolies across Europe," said the group, the Free and Fair Post Initiative. "Delaying further this long-awaited decision would convey a negative signal."

The group dismissed the concerns of proponents of a delay, saying full-market opening would ensure that universal service is maintained. The Parliament endorsed the commission's idea of leaving it to each government to decide whether universal service should be financed by subsidies or compensation funds paid into by companies.

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